



8011-01p
SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-74767; File No. SR-BATS-2015-33]

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use of BATS Exchange, Inc.

April 20, 2015,

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 16, 2015, BATS Exchange, Inc. (the “Exchange” or “BATS”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposed rule change effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange filed a proposal to amend the fee schedule applicable to Members⁵ and non-members of the Exchange pursuant to BATS Rules 15.1(a) and (c). Changes to the fee schedule pursuant to this proposal are effective upon filing.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ The term “Member” is defined as “any registered broker or dealer that has been admitted to membership in the Exchange.” See Exchange Rule 1.5(n).

The text of the proposed rule change is available at the Exchange's website at www.batstrading.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to modify its fee schedule in order to: (1) adopt a Cross-Asset Tape B Tier; and (2) amend the fees charged for and description of the logical ports⁶ offered by the Exchange.

Cross-Asset Tape B Tier

Currently, the Exchange offers a rebate of \$0.0020 per share as the standard rebate for orders with fee code B, which applies to orders that add liquidity to the Exchange in Tape B securities. The Exchange also offers various tiers that provide Members with the opportunity to earn higher rebates by meeting certain volume metrics. The Exchange is proposing to adopt a

⁶ A logical port is commonly referred to as a TCP/IP port, and represents a port established by the Exchange within the Exchange's system for trading and billing purposes. Each logical port established is specific to a Member or non-member and grants that Member or non-member the ability to operate a specific application, such as FIX order entry or Multicast PITCH data receipt.

new tier in footnote 12 titled “Cross-Asset Tape B Tier.” Under the Cross-Asset Tape B Tier, the Exchange is proposing to provide a \$0.0031 per share rebate to a Member’s orders with a fee code of B for which the Member: (1) has a Tape B Step-Up Add TCV⁷ from February 2015 that is equal to or greater than 0.06%; and (2) has an Options Market Maker Add TCV⁸ that is equal to or greater than 0.75% on the Exchange’s options platform (“BATS Options”). As such, where a Member increases their ADAV⁹ in Tape B securities as a percentage of TCV by at least .06% as compared to February 2015 and has at least 0.75% ADAV¹⁰ of Market Maker¹¹ orders as a percentage of TCV¹² on BATS Options, the Member will be eligible to receive the \$0.0031 per share rebate associated with the Cross-Asset Tape B Tier. As is the case with any other rebates on the fee schedule, to the extent that a Member qualifies for higher rebates than those provided under the proposed Cross-Asset Tape B Tier, the higher rebates shall apply.

Logical Port Fees

Currently, the Exchange maintains logical ports for order entry, drop copies and the receipt of market data for which it currently charges \$400 per month per port with the exception

⁷ The Exchange is proposing that “Tape B Step-Up Add TCV” means ADAV in Tape B securities as a percentage of TCV in the relevant baseline month subtracted from current ADAV in Tape B securities as a percentage of TCV.

⁸ The Exchange is proposing that “Options Market Maker Add TCV” for purposes of equities pricing means ADAV resulting from Market Maker orders as a percentage of TCV, using the definitions of ADAV, Market Maker and TCV as provided under the Exchange’s fee schedule for BATS Options.

⁹ “ADAV” means average daily volume calculated as the number of shares added per day.

¹⁰ As defined in the BATS Options fee schedule, “ADAV” means average daily added volume calculated as the number of contracts added per day.

¹¹ As defined in the BATS Options fee schedule, “Market Maker” applies to any transaction identified by a Member for clearing in the Market Maker range at the OCC.

¹² “TCV” means total consolidated volume calculated as the volume reported by all exchanges to the consolidated transaction reporting plan for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close.

of Multicast PITCH Spin Server Ports and GRP Ports.¹³ Multicast PITCH Spin Server Ports and GRP Ports are used to request and receive a retransmission of data from the Exchange's Multicast PITCH data feed. The Exchange does charge \$400 per month for such ports, however, the Exchange separately delineates such fees because of various details related to the use of such ports. Specifically, Multicast PITCH Spin Server Ports are offered as a complete set, including one logical port for each channel of the Exchange's Multicast PITCH data feed, and can be taken for either of the Exchange's primary Multicast PITCH data feeds.¹⁴ Similarly, Multicast PITCH GRP Ports can be taken for either of the Exchange's primary Multicast PITCH data feeds. The Exchange offers Multicast PITCH Spin Server Ports for a fee of \$400 per month for a set of primary ports (A or C feed) and Multicast PITCH GRP Ports for a fee of \$400 per month per primary port (A or C feed). The Exchange offers and will continue to offer for free the ports necessary to receive the Exchange's redundant Multicast "B feed" and "D feed", as well as all ports made available in the Exchange's secondary data center.

In early 2014, the Exchange and its affiliate, BATS Y-Exchange, Inc. ("BYX"), received approval to effect a merger (the "Merger") of the Exchange's parent company, BATS Global Markets, Inc., with Direct Edge Holdings LLC, the indirect parent of EDGX and EDGA (together with the Exchange, BYX and EDGX, the "BGM Affiliated Exchanges").¹⁵ In the

¹³ FIX and BOE ports are the only ports that may be used to send orders and related instructions to the Exchange. All other port types, including the Multicast PITCH Spin Server Port and GRP Port, permit Members and non-members to receive information from the Exchange.

¹⁴ The Exchange's primary Multicast PITCH data feeds are identified as the "A feed" and the "C feed" and contain the same information. The A feed and the C feed differ only in the way such feeds are received. The Exchange also offers two redundant feeds, identified as the "B feed" and the "D feed".

¹⁵ See Securities Exchange Act Release No. 71375 (January 23, 2014), 79 FR 4771 (January 29, 2014) (SR-BATS-2013-059; SR-BYX-2013-039).

context of the Merger, the BGM Affiliated Exchanges are working to align certain system and regulatory functionality, retaining only intended differences between the BGM Affiliated Exchanges. This includes migrating the BGM Affiliated Exchanges, which are currently located in different data centers, into a single data center. As part of the data center migration and the integration of the BGM Affiliated Exchanges, the Exchange is proposing to increase the fees charged from \$400 per month to \$500 per month for all categories of logical ports, including sets of Multicast PITCH Spin Server Ports for the A feed and the C feed, individual GRP Ports for the A feed and the C feed, and all other logical ports. The Exchange notes that EDGA and EDGX currently charge \$500 per month for most logical ports.¹⁶ The Exchange communicated to Members and non-Members regarding these changes via a trading notice issued on October 7, 2014.¹⁷

In addition to increasing the port fees charged by the Exchange, the Exchange proposes to add the words “Multicast PITCH” before GRP Ports to mirror the description of fees for Multicast PITCH Spin Server Ports. As noted above, the separate fees for Spin Server Ports and GRP Ports both relate to the Exchange’s Multicast PITCH data feed.

Implementation Date

The Exchange proposes to implement the amendments to its fee schedule effective immediately.

¹⁶ The Exchange notes that BYX intends to file a proposal very similar to this proposal that will align its logical port fees across each of the BGM Affiliated Exchanges. The Exchange also notes that EDGA and EDGX also intend to file a proposal to charge \$500 per month for all types of logical ports as well as to change the descriptions used for logical port fees to mirror the descriptions used by the Exchange and BYX.

¹⁷ See BATS Global Markets Access Fee Changes for 2015, available at http://cdn.batstrading.com/resources/fee_schedule/2015/BATS-Global-Markets-Access-Services-Fee-Changes-for-2015.pdf (issued October 7, 2014).

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,¹⁸ in general, and furthers the objectives of Section 6(b)(4),¹⁹ in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange also notes that it operates in a highly-competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive. The Exchange believes that the proposed rates are equitable and non-discriminatory in that they apply uniformly to all Members.

Cross-Asset Tape B Tier

Volume-based rebates and fees such as the ones currently maintained on BATS Options have been widely adopted by equities and options exchanges and are equitable because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns, and introduction of higher volumes of orders into the price and volume discovery processes. The Exchange believes that the proposal to add a Cross-Asset Tape B Tier is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because it will provide Members with an additional incentive to reach certain thresholds on both the Exchange in Tape B securities and BATS Options. The increased liquidity from this proposal also benefits all investors by deepening the Exchange and BATS Options liquidity pools, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery,

¹⁸ 15 U.S.C. 78f.

¹⁹ 15 U.S.C. 78f(b)(4).

promoting market transparency and improving investor protection. Such pricing programs thereby reward a Member's growth pattern in Tape B securities and such increased volume increases potential revenue to the Exchange, and will allow the Exchange to continue to provide and potentially expand the incentive programs operated by the Exchange. To the extent a Member participates on the Exchange but not on BATS Options, the Exchange does believe that the proposal is still reasonable, equitably allocated and non-discriminatory with respect to such Member based on the overall benefit to the Exchange resulting from the success of BATS Options. As noted above, such success allows the Exchange to continue to provide and potentially expand its existing incentive programs to the benefit of all participants on the Exchange, whether they participate on BATS Options or not. The proposed pricing program is also fair and equitable in that membership in BATS Options is available to all members which would provide them with access to the benefits on BATS Options provided by the proposed changes, as described above, even where a member of BATS Options is not necessarily eligible for the proposed increased rebates on the Exchange. Further, the proposed changes will result in Members receiving either the same or an increased rebate than they would currently receive. The Exchange also notes that the proposed cross-asset step up tiers are similar to pricing tiers already employed by the Exchange as well as on other exchanges, including EDGX Exchange, Inc. ("EDGX"), which maintains a Tape B Step Up tier to incentivize added liquidity in Tape B securities.²⁰

Logical Port Fees

The Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of

²⁰ See EDGX fee schedule, footnote 2.

the Act,²¹ in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls. The Exchange notes that its proposed changes, combined with the planned filings for EDGA, EDGX and BZX [sic],²² would allow the BGM Affiliated Exchanges to provide consistent logical port offerings across each of the BGM Affiliated Exchanges. Consistent offerings, in turn, will simplify the connectivity requirements for Members of the Exchange that are also participants on EDGA, BZX [sic] and/or BYX. The proposed rule change would result in greater uniformity and less burdensome and more efficient understanding of Exchange connectivity requirements.

The Exchange believes that the increase of fees for logical ports represents an equitable allocation of reasonable dues, fees and other charges. The Exchange operates in a highly competitive market in which exchanges offer connectivity services as a means to facilitate the trading activities of members and other participants. Accordingly, fees charged for connectivity are constrained by the active competition for the order flow of such participants as well as demand for market data from the Exchange. If a particular exchange charges excessive fees for connectivity, affected members will opt to terminate their connectivity arrangements with that exchange, and adopt a possible range of alternative strategies, including routing to the applicable exchange through another participant or market center or taking that exchange's data indirectly. Accordingly, the exchange charging excessive fees would stand to lose not only connectivity revenues but also revenues associated with the execution of orders routed to it by affected members, and, to the extent applicable, market data revenues. The Exchange believes that this competitive dynamic imposes powerful restraints on the ability of any exchange to charge

²¹ 15 U.S.C. 78f(b)(4).

²² See supra note 16.

unreasonable fees for connectivity. Lastly, the Exchange believe [sic] its proposed fees are reasonable because the Nasdaq Stock Market LLC (“Nasdaq”) and the NYSE Arca, Inc. (“NYSE Arca”) charge comparable rates for logical ports to access such markets.²³ As noted above, EDGA and EDGX also charge the same rate for access to most logical ports.

The Exchange believes that its proposed changes to logical port fees are reasonable in light of the benefits to Exchange participants of direct market access and receipt of data. In addition, the Exchange believes that its fees are equitably allocated among Exchange constituents based upon the number of access ports that they require to access and receive data from the Exchange. The Exchange also believes that its fees for access services will enable it to better cover its infrastructure costs and to improve its market technology and services.

Lastly, the Exchange also believes that the proposed amendments to its fee schedule are non-discriminatory because they will apply uniformly to all Members. All Members that voluntarily select various service options will be charged the same amount for the same services. All Members have the option to select any connectivity option, and there is no differentiation among Members with regard to the fees charged for the services offered by the Exchange.

B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe its proposed amendments to its fee schedule would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

²³ See Nasdaq Rule 7015 (providing no FIX or non-Trading FIX ports free of charge) and the NYSE Arca fee schedule available at https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE_Arca_Marketplace_Fees.pdf (dated February 26, 2015). The Exchange recognizes that some participants may be charged the lower rate of \$200 per month to the extent such participants maintain a low number of ports with NYSE Arca. The Exchange nonetheless believes that its proposed fees are comparable despite the fact that it does not propose a lower fee for such participants.

Cross-Asset Tape B Tier

The Exchange does not believe that its proposal to add a new cross-asset step-up tier would burden competition, but instead, enhance competition, as it is intended to increase the competitiveness of and draw additional volume to both the Exchange and BATS Options. As stated above, the Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee structures to be unreasonable or excessive. The proposed changes are generally intended to enhance the rebates for liquidity added to the Exchange, which is intended to draw additional liquidity to the Exchange. As such, the proposal is a competitive proposal that is intended to add additional liquidity to the Exchange, which will, in turn, benefit the Exchange and all Exchange participants.

Logical Port Fees

The Exchange does not believe that the proposed change to logical port fees represents a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed change will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act²⁴ and paragraph (f) of Rule 19b-4 thereunder.²⁵ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BATS-2015-33 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BATS-2015-33. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the

²⁴ 15 U.S.C. 78s(b)(3)(A).

²⁵ 17 CFR 240.19b-4(f).

proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BATS-2015-33, and should be submitted on or before [INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁶

Brent J. Fields,
Secretary.

[FR Doc. 2015-09498 Filed: 4/23/2015 08:45 am; Publication Date: 4/24/2015]

²⁶ 17 CFR 200.30-3(a)(12).